



## Adoption of Changes to Minor Rule Violation Plan Adding CAT Reporting Compliance Rules

Long-Term Stock Exchange, Inc. ("LTSE") has adopted changes to its Minor Rule Violation Plan ("MRVP") to make a Member's violations of the Consolidated Audit Trail ("CAT") compliance rules ("CAT Compliance Rules")<sup>1</sup> eligible for disposition with a minor rule violation fine, when warranted.

CAT Compliance Rule violations became eligible for disposition under LTSE's MRVP as of July 8, 2020.<sup>2</sup> As outlined in [Regulatory Information Circular 2020-03](#), LTSE, FINRA, and all CAT NMS Plan Participants have entered into an amended plan pursuant to Rule 17d-2 under the Securities Exchange Act of 1934 (the "Rule 17d-2 Plan") and Regulatory Services Agreements ("RSAs") to coordinate regulation of the CAT Compliance Rules.

The changes to LTSE's MRVP for CAT Compliance Rule violations discussed in this Regulatory Information Circular are consistent with coordinated regulation under the Rule 17d-2 Plan and the RSAs. A summary of the key changes is as follows.<sup>3</sup>

For failures to comply with the CAT Compliance Rule requirements, the LTSE may impose a minor rule violation fine of up to \$2,500.<sup>4</sup> For more serious violations, formal disciplinary action may be sought. The following factors will help guide LTSE and FINRA in determining the appropriate disposition:

- Total number of reports that are not submitted or submitted late;
- The timeframe over which the violations occur;
- Whether violations are batched;

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<sup>1</sup> See LTSE Rule Series 11.600 (Consolidated Audit Trail Compliance Rules).

<sup>2</sup> See Securities Exchange Act Release No. 89254 (July 8, 2020), [85 FR 42462](#) (July 14, 2020) (SR-LTSE-2020-11).

<sup>3</sup> The text of the revised rule is available in the LTSE Rule Book, and a full description of the revised rule as compared to the former rule is available in the [proposed rule change](#) as filed with the Securities and Exchange Commission. See note 2, *supra*.

<sup>4</sup> See LTSE Rule 9.216(b) (Procedure for Violation Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)) and LTSE Rule 9.218 (Violations Appropriate for Disposition Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)).

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- Whether the violations are the result of the actions of one individual or the result of faulty systems or procedures;
- Whether the firm has taken remedial measures to correct the violations;
- Prior minor rule violations within the past 24 months;
- Collateral effects that the failure has on customers; and
- Collateral effects that the failure has on the Exchange's ability to perform its regulatory function.

Questions regarding this RIC can be directed to [regulation@longtermstockexchange.com](mailto:regulation@longtermstockexchange.com).